

TOWARD SEATTLE: THE NEXT ROUND AND AMERICA'S STAKE IN THE TRADING SYSTEM

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Good afternoon, and thank you all for coming.

When I last visited the Council on Foreign Relations, we had just begun preparation for the WTO's Ministerial Conference in Seattle, and the new Round of trade negotiations it will launch. Last Wednesday, the President set out our vision of what the Round can create: a world economy more prosperous, open, and more equitable than today's. And today, with the Ministerial six weeks away, I would like to discuss with you the specific objectives we have set to achieve this vision.

AMERICAN TRADE PRINCIPLES

Let me begin, however, with some general thoughts about American trade policy and the principles beneath it.

For fifty years, Americans have advanced a specific and clear vision of trade policy. In his speech last week, the President recalled a wartime address given by Franklin Roosevelt, looking ahead to the task of reconstruction:

"A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power -- and that such a rise encourages a better standard of living in neighboring countries with whom it trades."

Ever since then, the United States has led in the creation of a more open, fair and free world economy. And we have done so, under ten Administrations of both parties and twenty-six different Congresses, for clear, straightforward reasons that reflect our own national economic interests; our support for the advance of peace, freedom and the rule of law; and the interest we share with all our trading partners in creating a more prosperous world for each succeeding generation.

Open markets and freer trade are good for Americans and good for our trading partners overseas in economic terms. With freer trade, producers can sell to wider markets; consumers

have greater choice and quality; technological progress accelerates; businesses become more efficient and competitive. With a strong rules-based trading system that keeps markets open, the rule of law advances and the world has a shield in moments of crisis. And as countries trade more with their neighbors, they gain an interest in prosperity and stability beyond their borders, strengthening the chances of peace.

For us, the progressively freer trading environment of the past fifty years has provided enormous benefits. Most immediately, it offers us the opportunity to export; and exports are essential to a strong economy. Almost 80% of world economic consumption takes place outside the U.S.; 96% of the world's population is beyond our borders. To grow and remain competitive in the years ahead, our farmers and businesses must have fair access to these markets. Without open world markets -- and foreign tariffs and other trade barriers are still substantially higher than ours -- farmers suffer from gluts that drive down prices, and American businesses lose economies of scale, and therefore invest less in plants, research, and hiring.

Open markets also allow us to import; and imports are equally important. They create the choice, price and competition that raise family living standards. This is true for all families, but most especially the poor. Imports, accompanied by a commitment to education and job training, help American workers specialize in the most technologically sophisticated and financially rewarding fields. And they give businesses access to inputs -- raw materials, parts, business equipment -- that reduce overall costs and therefore improve efficiency and competitiveness.

It is of course true that an open American economy means competition; and competition means change and adjustment to it. And the government has a responsibility to accompany an open trade policy with a commitment to education, job training, and adjustment. But most of the changes underway in our economy -- falling unemployment, rising wages, rising demand for high-skill workers -- are unambiguously positive. This is clear in the experience of the past seven years, when the world's economy has opened substantially, and ours along with it. As we have completed and implemented nearly 300 trade agreements, including five of truly historic proportions -- the Uruguay Round, the North American Free Trade Agreement, and three multilateral agreements on Information Technology, Basic Telecommunications and Financial Services:

- Our country has prospered. Our economy has expanded from \$7.1 trillion to \$8.8 trillion in real terms, during the longest peacetime expansion in America's history. The expansion of exports during this period, totaling well over \$300 billion, accounted for a third of our growth until the financial crisis.
- Our people are at work. We have created nearly 19 million new jobs, and unemployment rates have fallen from 7.3% to 4.2%, the lowest rate in the past three decades. Over 12 million American jobs are attributed to our export performance.

- Our economy has become more competitive, with unprecedented technological development and rates of investment. The U.S. has been rated by impartial observers as the world's most competitive economy for the past five years.
- And our families have enjoyed higher living standards, with average wages reversing a twenty-year decline and grown by 6.0% in real terms; record rates of home ownership; and unprecedented growth of family assets, investment in mutual funds, and other measures of financial well-being.

At the same time, our observation of the world beyond our borders offers equally stark lessons. Those countries which open their economies to the world, and to their neighbors through regional integration – Western Europe, then Southeast Asia, Latin America and Central Europe – see living standards rise and political tensions diminish. Those which have done less see poverty persist and political instabilities at times intensify. Those which rejected open markets and freer trade completely – North Korea, the former Soviet Union, Ne Win's Burma, Maoist China – encountered disaster.

The counsel of logic, and the lessons of experience, are clear. To turn our back on open trade would be to accept a lower standard of living, loss of export opportunities, reduced rates of investment in plants and hiring, and ultimately a loss of national strength and influence worldwide. To accept an open economy for ourselves, and to promote freer trade worldwide, is to set high standards for ourselves; to open new possibilities for our working people and industries; to reduce the cost of the essentials of life for the poor; and to accept our responsibility for world leadership.

DEVELOPMENT OF THE TRADING SYSTEM

That is a responsibility we took up fifty years ago and have borne ever since. The WTO, of course, is a new creation, founded in 1995. But the system it represents is much older, dating back to 1948, when 23 nations -- the United States, the European Allies, some of our partners in Latin America and Asia -- joined to form the General Agreement on Tariffs and Trade, or GATT.

They did this, most immediately, to revive the western economies after the war. But their decisions took place in the light of the experience of the 1920s and 1930s, when cycles of protection and retaliation helped create the unemployment and social tension which contributed so much to our own Depression and to the international political upheavals of the era. And the challenge they took up, in essence, was the rebuilding of the relatively open trading world which had existed before the First World War -- described so well by John Maynard Keynes in his Economic Consequences of the Peace:

“What an extraordinary episode in the progress of man was that which came to an end in August, 1914. The inhabitant of London could order by telephone the various products of the whole earth, and reasonably expect their early delivery upon his doorstep; he could at the same moment adventure his wealth in the natural resources and new enterprises of

any quarter of the world ... and most important of all, he regarded this state of affairs as normal, certain and permanent, except in the direction of improvement.”

Events had proven it nothing of the sort. That era of growth and open trade depended on policy and was undone by policy: the tariff hikes and colonial preference schemes of the 1920s, capped by the Smoot-Hawley Tariff in the United States, cut trade nearly 70% by 1934, transforming the world into something like a series of island economies, and deepening the Depression. By 1948, disintegration was complete: trade barriers divided the Allied economies; China left the world economy in the communist experiment; Russia was long gone; Japan and Germany had not yet returned.

The founders of the GATT drew the obvious lessons. For living standards and growth, trade is not a luxury but a necessity. In strategic terms, trade is an invaluable support to peace.

THE ACCOMPLISHMENT

Since then, eight separate negotiating Rounds, capped by the creation of the WTO in 1995, have rebuilt a freer trading world.

The system has grown in membership, from the original 23 countries to today's 134 economies and 4.5 billion people. And it has grown in scope: tariffs remain central to its work, but are now joined by agreements on agriculture, services, sanitary and phytosanitary standards, intellectual property, technical barriers to trade, and the most recent agreements on Information Technology, Basic Telecommunications, and Financial Services. In addition, the WTO has capabilities for dispute settlement, with a dispute panel mechanism we have used in no less than 49 cases; oversight bodies for each agreement; and a forward work-program on newer issues. These give it substantially greater credibility as a guarantor of open markets, and a forum for addressing its members concerns, than the GATT.

As a result, since 1950 global trade has grown fifteen-fold. World economic production has grown six-fold, and per capita income nearly tripled. This in turn provides families and governments with the resources to improve health, invest in education, protect the environment and advance other social goals.

In consequence, life has improved nearly everywhere in the world. Since the 1950s, world life expectancy has grown by twenty years. Infant mortality has dropped by two-thirds. Famine has receded from all but the most remote or misgoverned corners of the world. And daily life has been enriched in perhaps small but remarkable ways: tropical fruit and green vegetables available around the world in midwinter; books and cars over the Internet.

Finally, in the financial crisis of the past two years, the trading system proved its worth in another way. We endured the worst financial crisis of the past half century – with 40% of the world in recession, seven major economies contracting by 6% or more, and the American trade imbalance at record levels. It has been a period of enormous human stress, with tens of millions of jobs lost in Korea and Southeast Asia, recession throughout South America, and crisis in

American farms and steel mills. And yet the respect most WTO members showed for their commitments helped guarantee affected countries the markets essential for their recovery; shielded our own farmers and manufacturing exporters, and helped avert the political tensions that can arise when economic crisis leads to trade conflicts. The contrast to the experience of the 1930s could not be more clear; and if the postwar founders of the system were here to see it, they could be forgiven for showing some pride in the work they began.

END OF THE COLD WAR

The question, of course, is whether these accomplishments are enough; and we believe they are not.

First of all, the work begun in 1948 -- the completion of an open trading system whose principles are accepted by all major economies -- is not yet done. We face a truly profound implications: our trade policy response to the end of the Cold War.

The largest group of nations now remaining outside the WTO are the transition economies: China, Russia, Vietnam, Ukraine and other former Soviet republics, the Baltic States, and the reforming nations of the Balkans. These nations, together with applicants from the Middle East and several developing regions, make up over 1.6 billion people, and a sixth of the world economy.

Their entry -- on the commercially meaningful grounds, addressing agriculture, services, industrial goods and rules, that yield the system's full benefits for them and for their trading partners -- is essential. It will strengthen the WTO; support economic reform and sustainable growth in the transition economies; create new opportunities for Americans; and most important, strengthen peace by giving these nations greater interests in stability and prosperity beyond their borders. It is a task of immense technical difficulty and political complexity; but it is one of vast importance, comparable to the response of the trading system to decolonization in the 1950s and 1960s; or to the reintegration of Japan and Germany after the war.

And while this task is complex, it is also achievable -- and that is clear because it is already well underway. Since its creation in 1995 the WTO has admitted five transition economies: Slovenia, Bulgaria, Mongolia, Kyrgyzstan and Latvia. Estonia's negotiations are complete, awaiting only deposit of the parliamentary ratification in Geneva. We have completed bilateral negotiations with Croatia, Georgia and Albania and made significant progress with Armenia, Lithuania and Moldova. Their governments -- some in the Balkans and the Caucasus operating under the most difficult of circumstances -- deserve great credit for their progress so far, as do Oman and Jordan in the Middle East. Those with which we have completed negotiations have made commitments in general of very high quality. This is immensely important for their future economic prospects.

We have also held fruitful discussions with Russia and Ukraine, as well as Saudi Arabia. And we have made significant progress with the largest transition economy -- the People's Republic of China. The negotiations have taken time, and suffered an almost five-month

interruption after the mistaken bombing of the Chinese Embassy in Belgrade. We have resumed the talks at the direction of Presidents Clinton and Jiang in Auckland a month ago, and will continue to work with the Chinese to complete the accession on strong commercial terms.

THE FUTURE AGENDA

At the same time, a look at the world today, and a review of our experience over the past five years, shows how great are the opportunities still untapped. We can do more, and we can do better.

Much work remains ahead on industrial goods. The financial crisis pointed up the need for open and competitive services markets. Agricultural trade barriers and trade-distorting supports, which remain very high, reduce world food security as well as the incomes of many of the world's farm and ranch families. The advance of science and technology has created new products, new services and new methods of conducting trade, which the WTO must address.

In broader terms, many in the developing world believe previous Rounds did not give sufficient attention to the priorities of poorer nations. Paralleling this is concern in developed nations that policies to open trade and promote growth are advancing more rapidly than policies to protect the environment and defend workers against abuse. Governments have become more reluctant to talk about the benefit of imports. And -- certainly in America, and I believe elsewhere -- many hold a perception, which is not entirely incorrect, of the WTO as an institution whose workings, especially in dispute settlement, are opaque and inaccessible.

In response, last January, the President called for the opening of a new global trade Round. And in the months since, we have been consulting with Congress, our trading partners, and others interested in trade policy on its agenda. We have gotten out of Washington, to 16 public hearings and listening sessions everywhere from New York and Chicago to Bozeman, Montana and Kearney, Nebraska. We have met with our trade partners in Geneva and elsewhere, including in a series of major events from the US-Africa Ministerial in Washington, to the APEC Leaders Meeting in New Zealand, the G-7 meetings and US-EU Summits, and our Free Trade Agreement of the Americas consultations. Our goal has been an agenda broad enough to meet our top priorities and win support from the WTO membership as a whole; but also manageable enough to complete and implement in a reasonable period of time.

The result of this work is a comprehensive set of proposals, which we tabled in Geneva this summer and fall. They address implementation of Uruguay Round commitments, agriculture, industrial market access, services, trade and the environment, fishery subsidies, trade and labor and other issues. And together they make up both an ambitious and, with much work, an achievable agenda, that will bring fifty years of American trade leadership into the next century. Beginning at the Ministerial conference we will:

- Ensure that the WTO does its part to create growth and progress in the world's least developed countries.

- Take up the opening of sectors such as agriculture and services, where the work has only begun, in addition to our work on industrial goods and non-tariff barriers.
- Meet the challenge of the new industries and methods of trade created every day by the scientific and technological revolution.
- Advance our work to protect the world environment, fight hunger and promote internationally recognized core labor standards.
- And reform the WTO itself to make it more open, accessible and responsive to the public.

In the time that remains, let me review our agenda on each of these points.

INTEGRATING THE LEAST DEVELOPED

First, we have a responsibility to ensure that the trading system does as much as it should for the least-developed nations – those countries in Africa, Asia, Latin America and the Middle East most deeply afflicted by poverty, hunger and isolation from the world economy.

Our Administration has taken up this challenge in areas well beyond trade. For example, in many least developed countries, the financial burden posed by debt has made growth very difficult. This was the chief concern many African governments raised with us at the first-ever US-Africa Ministerial this spring. And thus President Clinton has challenged our Congress and the world to forgive 100% of this debt when relief will help finance basic human needs.

Trade policy also has a role to play. These nations need access to markets, especially in areas of comparative advantage. At times they need technical assistance to implement the market access commitments through which they attract investment and gain exposure to modern technologies. And we have developed a response:

- We will enhance our market access programs, beginning with my expansion of the duty-free GSP program, and going on to more ambitious legislative proposals like the African Growth and Opportunity Act and expansion of the Caribbean Basin Initiative. We will also enhance market access further through special tariff commitments in the new Round; and we will ask our trading partners, including both the developed economies and the more advanced developing nations to do their part.
- Together with Bangladesh, Lesotho, Nigeria, Senegal and Zambia, we have introduced a proposal to improve and expand the WTO's technical assistance programs. At the same time, we are continuing our own efforts to build capacity for the least developed countries in telecommunications, Internet capability, and other modern technologies in Africa, Latin America and elsewhere.
- We will work to improve the WTO's collaboration with other international organizations such as the World Bank and IMF, UNCTAD, the UN Environmental Program, and the

International Labor Organization, through joint observership and research, especially focused on the least developed countries.

- And we will ensure that the negotiating agenda for the new Round takes the priorities of developing nations into account. Market access issues like the Accelerated Tariff Liberalization initiative's proposal to end tariffs on such items as toys, gems and jewelry, and fishery products. Unfair trade practices like agricultural export subsidies that weigh most heavily on developing country farmers. And together with this, the concern of many least developed nations that comprehensive Rounds like the Uruguay Round create implementation burdens that are simply too great to manage.

THE NEXT ROUND

Our agenda for the Round reflects this concern, as well as the top priorities we have identified through our domestic consultations. And let me review the goals we have set.

1. Creating Growth and Prosperity

First, through market access negotiations, to be completed within three years, we must create a more open world economy that offers greater opportunities for growth. These talks will offer concrete benefits for exports and employment in agriculture, manufacturing and services; address our top priorities and those of a wide spectrum of WTO members; and help to create the leverage to reach our goals in areas that will be most politically difficult, for example agriculture. A brief review of our proposals includes:

- In agriculture, we will seek aggressive reforms – open markets that create food security by ensuring diverse supplies of food; market-based prices that offer a fair reward to farm and ranch families – that will help lessen the threats of hunger and malnutrition, and build prosperity in rural societies at home and abroad.

Specifically, we call for eliminating, and prohibiting in the future, all export subsidies, and substantially reducing trade-distorting domestic supports. We will seek to lower and bind tariffs, and improve administration of tariff-rate-quotas. We will work for stronger disciplines on operations of state trading enterprises. And we will address disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes. Europe in particular, which supplies 85% of the world's agricultural export subsidies and has been slow to develop a modern, transparent, and science-based system for food safety in general and biotechnology in particular, must accept its responsibility in these fields.

- In services – where American industries are the world's most innovative and competitive, we can address some of the weak regulatory practices in law and finance which helped to spark the financial crisis. Advance freedom of information by ensuring access to new telecommunications technologies. Raise the quality of life by giving countries greater access to environmental services as well as goods, and helping the world's most advanced

hospitals and universities offer health care and education on-line as the information infrastructure improves.

We will meet the challenge by working to liberalize a broad range of sectors -- distribution, telecommunications, finance, audiovisual, environmental services, the professions, construction and others. We will work to ensure that GATS rules anticipate development of new technologies, which are already creating new services such as telemedicine and satellite delivery of entertainment to the home. We will seek to prevent discrimination against specific modes of delivering services, and work to develop “horizontal” methods of liberalizing services, such as disciplines to ensure transparency and good governance in regulations across a broad range of services sectors.

- Industrial Goods – And we will pursue broad negotiations on industrial goods, which create opportunities for growth and employment in developing and industrial economies, improve price and choice for consumers, and create the economies of scale that support research, development and technological progress.

Here we will build upon the Accelerated Tariff Liberalization proposal begun in APEC – eliminating or harmonizing tariffs in eight industrial sectors, from environmental technologies and scientific instruments to chemicals, wood products and gems and jewelry – to reduce existing tariff disparities and bind tariff schedules for all WTO members. As the most recent APEC meeting noted, this would be concluded on a provisional basis, with final binding as part of the single package making up the Round’s market access negotiations. We will then work to lower a broad range of tariff levels, as well as develop new sectoral agreements; increase participation in existing agreements, including zero-for-zero tariffs and tariff harmonization; and address non-tariff barriers and other measures affecting market access.

Finally, of course, as important as the negotiating goals is a timetable that will conclude them rapidly. Most WTO members now agree with us that the Round should be completed within three years. We are now working with other WTO Members to draft a Ministerial Declaration which will ensure that substantive talks begin immediately, with formal proposals tabled by mid-2000 and further benchmarks for progress as well, perhaps including a mid-term Ministerial review.

2. Building The 21st-Century Economy

Second, we will ensure that the WTO responds fully and rapidly to the revolutionary scientific advances transforming every field from communications to agriculture to trade itself.

In the past two years, we laid the groundwork for this in three monumental agreements: the Information Technology Agreement, eliminating tariffs on \$600 billion worth of trade in high-tech manufactured goods such as computers, semiconductors and others; the Basic Telecommunications Agreement, opening access to the \$1 trillion-dollar world telecom services

market; and the Financial Services Agreement, which covers nearly \$50 trillion worth of financial transactions per year.

The next step is to ensure that the WTO promotes the unimpeded development of electronic commerce. This will begin with our work toward consensus by the Ministerial on “duty-free cyberspace” -- that is, extending the WTO’s moratorium on the imposition of tariffs on electronic transmissions. We will build on this with an ambitious work-program at the WTO, addressing such questions as ensuring that WTO rules do not discriminate against new technologies and methods of trade; the proper treatment of digital products under WTO rules; and ensuring full protection of intellectual property rights on the Net. And we will balance this policy work with an extensive capacity-building program, to help developing countries gain the capacity to use the Internet, speeding their growth, technological progress and integration into world trade.

3. Institutional Reform of the WTO

And third, we will use the experience of the past five years to reform and improve the WTO itself, to ensure that the institution is capable of meeting the challenge of the modern world; and that as open trade creates prosperity, we also meet our responsibility of protecting the environment, advancing core labor standards, and meeting the test of openness and accessibility to citizens that we expect of government at home.

This will include:

- Trade and the environment – to ensure that trade liberalization complements and supports our environmental goals. This will begin in the U.S. with an early environmental review of the Round’s negotiating agenda. It will include initiatives in the negotiating agenda itself that contribute to both environmental protection and more open trade, through liberalizing trade in environmental goods and services, and eliminating fishery subsidies that contribute to overcapacity, eliminating agricultural export subsidies and support for increased collaboration between the WTO and the UN Environmental Program. And it is a fundamental principle of American policy that our country and others will retain the right to the highest standards of environmental, health, safety and consumer protection, consistent with our commitment to science-based regulation.
- Trade and labor -- We will work to ensure the WTO helps promote internationally recognized core labor standards. This should include closer collaboration with the ILO, and a focused Working Group on Trade and Labor to review and analyze, in cooperation with institutions like the World Bank and the ILO, questions such as safety nets, the relationship between trade and internationally recognized core labor standards, and the best means of adjustment to heightened competition.
- We will strengthen the WTO’s trade facilitation functions, with a special focus on global customs reform. This is especially important for small and medium-sized businesses, which have the most difficulty dealing with unnecessary red tape.

- Expanding and improving the WTO’s capacity-building function, as I noted earlier, with a special focus on the least developed countries.
- And we will work for greater transparency throughout the system -- because the WTO, like domestic institutions, must be transparent and responsive to win public support. Here we seek practical goals: ensuring rapid release of documents, enhancing the input of citizens and citizen groups; providing the opportunity to file amicus briefs in dispute proceedings, and opening dispute settlement proceedings to public observers. In the interim, we have a standing offer to open any proceedings to which we are a party, if our partner in the dispute agrees.

4. Achievements at Seattle

Finally, as the Ministerial approaches, we are working toward conclusion of some specific near-term achievements that offer concrete benefits in their own right, and help us both set precedents and build momentum for the Round. One especially important example is the conclusion of an agreement on transparency in government procurement, which will both create new opportunities in a \$3.1 trillion world market, and promote the basic principle of honest and transparent government. Others include the duty-free cyberspace initiative I mentioned earlier, along with work toward consensus on the Accelerated Tariff Liberalization initiative and an “ITA II,” adding new high-tech products to those already covered by the WTO’s existing ITA.

CONCLUSION: THE MINISTERIAL AND THE YEARS AHEAD

Altogether, this is a remarkable opportunity.

At home, the Ministerial Conference and the Round to follow will help us create a more prosperous, dynamic American economy; and it will give Americans more power to shape their lives, and offer their children better prospects still, than ever before.

Abroad, they will open markets, strengthen the rule of law, and create growth opportunity for our trading partners.

And worldwide – as President Clinton said last week – they will help us strengthen the ties of “shared commitments to peace and reconciliation.”

We have led the world for fifty years toward this goal. And we should be very proud that today and steadfast to the underlying principles and trade policy philosophy that have brought us to this historic point. And it is entirely appropriate that America is the place where the work of the next century begins.

Thank you very much.